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**SOCIALIZATION SERVICES, INC.
SHREVEPORT, LOUISIANA**

**REPORT OF EXAMINATION OF FINANCIAL STATEMENTS
INTERNAL CONTROL AND COMPLIANCE**

JUNE 30, 2000

**JERRY L. WHITE
CERTIFIED PUBLIC ACCOUNTANT
133 BUTTERCUP COURT
WHITE HOUSE STATION, NEW JERSEY 08889
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Under provisions of state law, this report is a public document. A copy of this report has been made available to the entity and is being made available to the public. This report is not to be used for any purpose other than the one for which it was prepared. The use of this report for any other purpose is not appropriate and is not recommended.

Release Date 11-01-00

SOCIALIZATION SERVICES, INC.
SHREVEPORT, LOUISIANA

REPORT OF EXAMINATION OF FINANCIAL STATEMENTS
INTERNAL CONTROL AND COMPLIANCE
JUNE 30, 2000

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JERRY L. WHITE
Certified Public Accountant

19 Colmart Way
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Socialization Services, Inc.
Shreveport, Louisiana

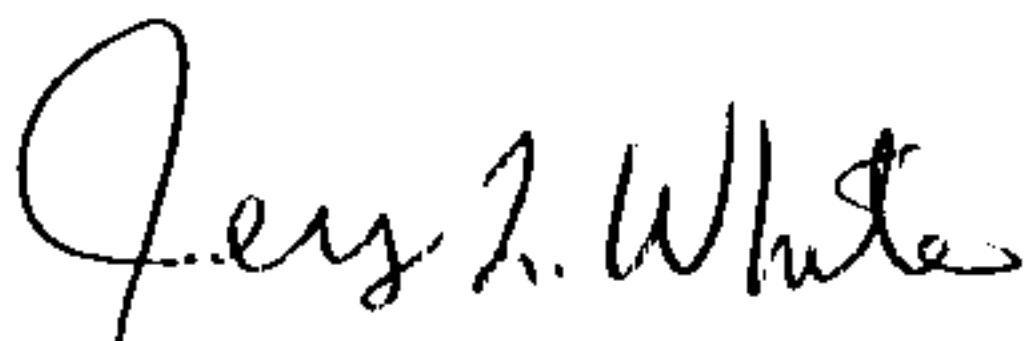
I have audited the accompanying statement of financial position of Socialization Services, Inc., a non-profit corporation, as of June 30, 2000, and the related statement of activities and cash flows for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Socialization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Socialization Services, Inc., as of June 30 2000, and the results of its operations and changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated October 14, 2000, on my consideration of Socialization Services, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

The accompanying financial information listed as supplementary financial information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit the financial statements and, in my opinion, is fairly stated in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink, reading "Jerry L. White". The signature is written in a cursive, flowing style with a large initial "J".

JERRY L. WHITE
Certified Public Accountant

October 14, 2000

SOCIALIZATION SERVICES, INC.
SHREVEPORT, LOUISIANA
ALL FUND TYPES AND ACCOUNT GROUPS
STATEMENT OF FINANCIAL POSITION
For the Fiscal Year Ended June 30, 2000

	<u>Elderly Affairs Grant Fund</u>	<u>Alcohol and Drug Abuse Grant Fund</u>	<u>Building Fund</u>	<u>General Fund</u>
<u>ASSETS</u>				
Cash	503	8,256	15,728	14,116
Grant Receivable (3)	7,875			1,955
Accounts Receivable				320
Furniture and Equipment				
Automobiles				
Land				
Building				
Amt to be provided for retirement of general long-term debt (5)				
TOTAL ASSETS	<u><u>8,378</u></u>	<u><u>8,256</u></u>	<u><u>15,728</u></u>	<u><u>16,391</u></u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Security Deposit			500	
Accounts Payable	7,616			
Taxes Payable		69		
Loan Payable				
Total Liabilities	<u>7,616</u>	<u>69</u>	<u>500</u>	
Fund Equity:				
Investment in General Fixed Assets				
Fund Balance:				
Unreserved	<u>762</u>	<u>8,187</u>	<u>15,228</u>	<u>16,391</u>
Total Fund Equity	<u>762</u>	<u>8,187</u>	<u>15,228</u>	<u>16,391</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>8,378</u></u>	<u><u>8,256</u></u>	<u><u>15,728</u></u>	<u><u>16,391</u></u>

The accompanying notes are an integral part of this statement

	Account Groups		Total (Memorandum Only)
	General Fixed Assets	General Long-Term Debt	
<u>ASSETS</u>			
Cash			38,603
Grant Receivable (3)			9,830
Accounts Receivable			320
Furniture and Equipment	32,050		32,050
Automobiles	15,267		15,267
Land	75,555		75,555
Building	124,445		124,445
Amt to be provided for retirement of general long-term debt (5)			
TOTAL ASSETS	<u>247,317</u>	<u></u>	<u>296,070</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Security Deposit			500
Accounts Payable			7,616
Taxes Payable			69
Loan Payable			
Total Liabilities			<u>8,185</u>
Fund Equity:			
Investment in General Fixed Assets	247,317		247,317
Fund Balance:			
Unreserved			<u>40,568</u>
Total Fund Equity	<u>247,317</u>	<u></u>	<u>287,885</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>247,317</u>	<u></u>	<u>296,070</u>

SOCIALIZATION SERVICES, INC.
SHREVEPORT, LOUISIANA

COMBINED STATEMENT OF ACTIVITY
For the Fiscal Year Ended June 30, 2000

	Elderly Affairs Grant Fund	Alcohol and Drug Abuse Grant Fund	Building Fund	General Fund	Total (Memorandum Only)
<u>REVENUES:</u>					
Intergovernmental	197,875	98,750		32,425	329,050
Interest Income	246			305	551
Rental Income			27,980		27,980
Donations					
Other			1,268	68	1,336
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	198,121	98,750	29,248	32,798	358,917
<u>EXPENDITURES:</u>					
Personnel	93,154	69,510	1,300	32,739	196,703
Travel	336	643			979
Operating Services	88,039	19,495	16,932	5,949	130,415
Operating Supplies	6,746	4,249	97	1,137	12,229
Professional Services					
Capital Outlays	6,577	2,421		403	9,401
Other Costs	2,500	2,000	750		5,250
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	197,352	98,318	19,079	40,228	354,977
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<hr/> 769	<hr/> 432	<hr/> 10,169	<hr/> (7,430)	<hr/> 3,940
FUND BALANCE, BEGINNING	(7)	7,755	5,059	23,821	36,628
INTERFUND TRANSFER	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, ENDING	<hr/> <hr/> 762	<hr/> <hr/> 8,187	<hr/> <hr/> 15,228	<hr/> <hr/> 16,391	<hr/> <hr/> 40,568

The accompanying notes are an integral part of this statement

SOCIALIZATION SERVICES, INC.
SHREVEPORT, LOUISIANA

COMBINED STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2000

	<u>Elderly Affairs Grant Fund</u>	<u>Alcohol and Drug Abuse Grant Fund</u>	<u>Building Fund</u>	<u>General Fund</u>	<u>Total (Memorandum Only)</u>
CASH INFLOWS					
Operations:					
Excess (Deficiency) of Revenues over Expenditures	769	432	10,169	(7,430)	3,940
Items not requiring an outlay of working capital:					
Depreciation					
Disposition of equip.					
Increase in Accrued Payroll					
Increase in Accounts Payable	7,616				7,616
Decrease in Prepaid Expense					
Decrease in Grant Receivable				2,855	2,855
Decrease in Accounts Receivable					
Increase in Taxes Payable		69			69
Increase in Fund Balance					
Total Cash InFlows	<u>8,385</u>	<u>501</u>	<u>10,169</u>	<u>(4,575)</u>	<u>14,480</u>
CASH OUTFLOWS					
Increase in Grant Receivable	7,875				7,875
Increase in Prepaid Expense					
Decrease in Accounts Payable					
Decrease in Taxes Payable					
Increase in Accounts Receivable				320	320
Decrease in Accrued Payroll					
Decrease in Fund Balance	7				7
Increase in Fixed Assets					
Total Cash OutFlows	<u>7,882</u>			<u>320</u>	<u>8,202</u>
INCREASE (DECREASE) IN CASH	<u>503</u>	<u>501</u>	<u>10,169</u>	<u>(4,895)</u>	<u>6,278</u>
UNRESTRICTED CASH @ 7/01/99		<u>7,755</u>	<u>5,559</u>	<u>19,011</u>	<u>32,325</u>
UNRESTRICTED CASH @ 6/30/00	<u>503</u>	<u>8,256</u>	<u>15,728</u>	<u>14,116</u>	<u>38,603</u>

The accompanying notes are an integral part of this statement

JERRY L. WHITE
Certified Public Accountant

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SOCIALIZATION SERVICES, INC.
SHREVEPORT, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Presentation of Statements:

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. In November of 1984, the GASB issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments.

The accompanying financial statements conform to generally accepted accounting principles for local government entities as prescribed by Statement 1, Governmental Accounting and Financial Reporting Principles published by the National Council on Governmental Accounting; Audits of State or Local Governmental Units, the industry audit guide issued by the American Institute of Certified Public Accountants; Section 800 - Fiscal Requirements, Appendix A, accounting manual for the Governor's Office of Elderly Affairs; and the revised Louisiana Municipal Audit and Accounting Guide.

B. Organization:

Socialization Services, Inc. was incorporated on July 11, 1984, as Humana Socialization, Inc., in Shreveport, Louisiana for civic and charitable purposes. Effective December 1, 1986, the Board of Directors adopted the name of Socialization Services, Inc. The Board of Directors is composed of nine members. The board officers for the year ended June 30, 2000, were Mr. Charles Raye, Chair, Ms. Helen Horton, Vice Chair, Ms. Rosie Cothran, Secretary, and Ms. Sallie Pennywell, Treasurer. Board members are not compensated.

C. Fund Accounting:

Socialization Services, Inc. use fund and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental financed functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The funds are grouped in the financial statements of this report, into one generic fund type as follows:

(1) Elderly Affairs Grant Fund

The Elderly Affairs Grant Fund is used to account for proceeds of the grant received from the Louisiana Office of Urban Affairs to serve senior citizens of the Greater Shreveport area with meals. Proceeds are also used to provide transportation to and from sites, doctor appointments, pharmacies, groceries, etc. Additional services include home delivered meals for handicapped/disabled elderly, advocacy and recreation.

(2) Drug and Alcohol Abuse Grant Fund

The Drug and Alcohol Abuse Grant Fund is used to account for proceeds of the grant received from the Louisiana Office of Urban Affairs to provide education of targeted youth groups on drug and alcohol abuse.

(3) Building Fund

The building fund is used to account for funds and activities related to donated property located at the West 70th Street Shopping Center. This property is a neighborhood strip shopping center which houses several small businesses. These businesses pay monthly rental to Socialization Services. This property is also the future home of the Caddo Parish Community Women's Health Center. This center was inoperable as of June 30, 2000, but expects to begin functioning in the near future.

(4) General Fund

The General Fund is used to account for funds and activities not directly related to program funds. Funding is provided from the State of Louisiana for processing Medicaid applicants and from the City of Shreveport for processing clients for water bill reimbursement.

D. Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All funds utilized by Socialization Services, Inc. are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets..

D. Basis of Accounting (Con't):

The modified accrual basis of accounting is used by all funds appearing in this financial report. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Socialization Services, Inc. considers revenue available if it is collected within 60 days after year end. Those revenues susceptible to accrual are intergovernmental and contributions from private sources. Expenditures are recorded when the related fund liability is incurred.

E. Budgets and Budgetary Accounting:

Socialization Services, Inc. generally follow these procedures in establishing the budgetary data reflected in these financial statements:

1. Management, with technical assistance provided by the State of Louisiana Office of Urban Affairs, prepares a proposed budget and submits the same to the Board of Directors for approval prior to the beginning of each fiscal year.
2. Budgetary amendments involving the transfer of funds from one program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require approval of the Board of Directors.
3. All budgetary appropriations lapse at the end of each fiscal year.
4. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended from time to time by the Board of Directors or the Louisiana Office of Urban Affairs.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Expenditures can legally exceed appropriations, but not more than 5%.

F. Expenditures - Actual and Budget:

The following individual fund had actual expenditures over budgeted expenditures for the year ended June 30, 2000.

NONE

G. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in grant funds, and the related

G. Fixed Assets

assets are reported in the general fixed assets accounts group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related assets, as applicable.

H. Cash

All cash funds are covered by FDIC insurance at a federally insured financial institution.

I. Accrued Vacation Liability

The current policy of Socialization Services, Inc. does not provide for the accumulation of earned leave by employees; therefore, these financial statements do not contain a provision for accrued vacation.

J. Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) FUNDING

Socialization Services, Inc. was funded by the Louisiana Office of Urban Affairs, receiving \$197,875 for the fiscal year ended June 30, 2000, and \$98,750 for the Alcohol and Drug Abuse for the fiscal year ended June 30, 2000. Additional funding was received from the State of Louisiana for Medicaid in the amount of \$1,344 and from the City of Shreveport, receiving \$31,081 for Water and Housing.

(3) GRANTS RECEIVABLE

Louisiana Office of Elderly Affairs	\$ 7,875.00
City of Shreveport	\$ 1,955.01

(4) INCOME TAX STATUS

Socialization Services, Inc., a non-profit corporation, is exempt from federal income taxation under Section 501 (c) (3) of the Internal Revenue Code.

(5) CHANGES IN LONG - TERM DEBT

Socialization Services had no long term debt during the fiscal year ended June 30, 2000.

(6) JUDGMENTS, CLAIMS, AND SIMILAR CONTINGENCIES

There is no litigation pending against Socialization Services at June 30, 2000. Furthermore, Socialization Services' management believes that any potential lawsuits would be adequately covered by insurance.

Socialization Services receives revenues from various State grant programs that are subject to final review and approval as to allowability of expenditures by the respective grantor agencies. Any *settlements or expenses arising out of a final review are recognized in the period in which agreed upon* by the agency and Socialization Services. Also, it is management's opinion that any audits by the grantor agencies would not produce disallowed program costs and liabilities to such an extent that they would materially affect Socialization Services' financial position.

SUPPLEMENTARY INFORMATION

SOCIALIZATION SERVICES, INC.
SHREVEPORT, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BUDGET (GAAP BASIS) AND ACTUAL
ELDERLY AFFAIRS FUND TYPE
For the Fiscal Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (unfavorable)
<u>REVENUES:</u>			
Intergovernmental	197,875	197,875	
Interest Income		246	246
Rental Income			
Donations			
Other			
	<u>197,875</u>	<u>198,121</u>	<u>246</u>
TOTAL REVENUES	197,875	198,121	246
<u>EXPENDITURES:</u>			
Personnel	98,035	93,154	4,881
Travel	142	336	(194)
Operating Services	89,323	88,039	1,284
Operating Supplies	1,639	6,746	(5,107)
Professional Services			
Capital Outlays	6,236	6,577	(341)
Other Costs	2,500	2,500	
	<u>197,875</u>	<u>197,352</u>	<u>523</u>
TOTAL EXPENDITURES	197,875	197,352	523
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u> </u>	<u>769</u>	<u>769</u>
FUND BALANCE, BEGINNING		(7)	(7)
INTERFUND TRANSFER	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE, ENDING	<u> </u>	<u>762</u>	<u>762</u>

The accompanying notes are an integral part of this statement

SOCIALIZATION SERVICES, INC.
SHREVEPORT, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE BUDGET (GAAP BASIS) AND ACTUAL
ELDERLY AFFAIRS FUND TYPE
For the Fiscal Year Ended June 30, 2000

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (unfavorable)</u>
<u>REVENUES:</u>			
Intergovernmental	98,750	98,750	
Interest Income			
Rental Income			
Donations			
Other			
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	98,750	98,750	
<u>EXPENDITURES:</u>			
Personnel	70,055	69,510	545
Travel	750	643	107
Operating Services	21,274	19,495	1,779
Operating Supplies	2,623	4,249	(1,626)
Professional Services			
Capital Outlays	2,048	2,421	(373)
Other Costs	2,000	2,000	
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	98,750	98,318	432
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u> </u>	<u>432</u>	<u>432</u>
FUND BALANCE, BEGINNING		7,755	7,755
INTERFUND TRANSFER	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE, ENDING	<u> </u>	<u>8,187</u>	<u>8,187</u>

The accompanying notes are an integral part of this statement

JERRY L. WHITE
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENTAL AUDITING STANDARDS

Board of Directors
Socialization Services, Inc.
Shreveport, Louisiana

I have audited the financial statements of Socialization Services, Inc., Shreveport, Louisiana as of and for the year ended June 30, 2000, and have issued my report thereon dated October 14, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

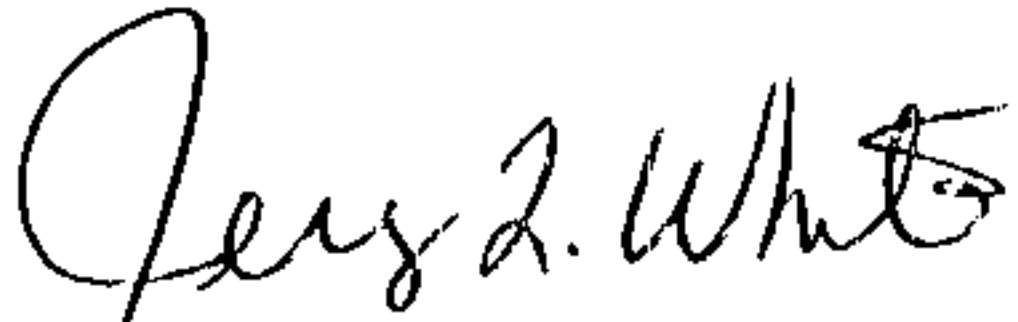
Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Socialization's compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Governmental Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Socialization's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and the state of Louisiana Legislative Auditor's office, and federal awarding agencies and pass-through entities. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink, reading "Jerry L. White". The signature is written in a cursive, flowing style with a large initial "J" and a stylized "W".

JERRY L. WHITE
CERTIFIED PUBLIC ACCOUNTANT

October 14th, 2000

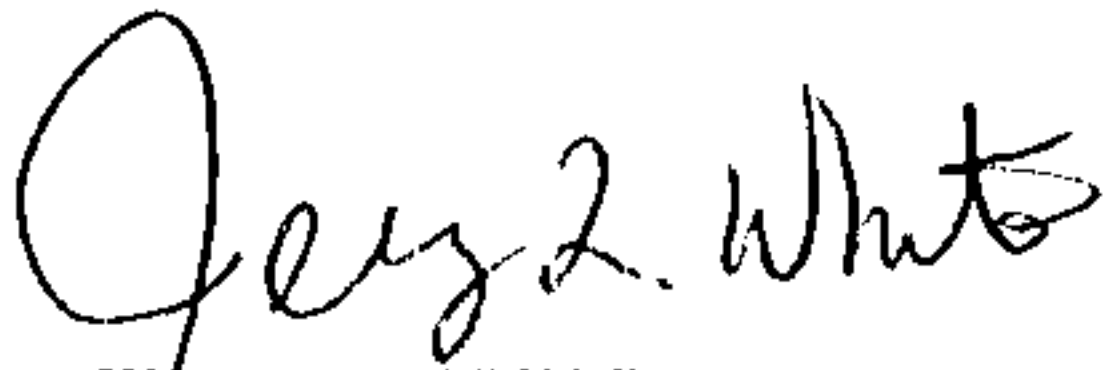
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MANAGEMENT LETTER COMMENTS

Board of Directors
Socialization Services, Inc.
Shreveport, Louisiana

THERE ARE NO MANAGEMENT LETTER COMMENTS FOR SOCIALIZATION SERVICES INC.
FOR THE YEAR ENDED JUNE 30, 2000. PLEASE SEE SUMMARY OF PRIOR YEAR FINDINGS
FOR FOLLOW-UP ON PRIOR YEAR FINDINGS.



JERRY L. WHITE
CERTIFIED PUBLIC ACCOUNTANT

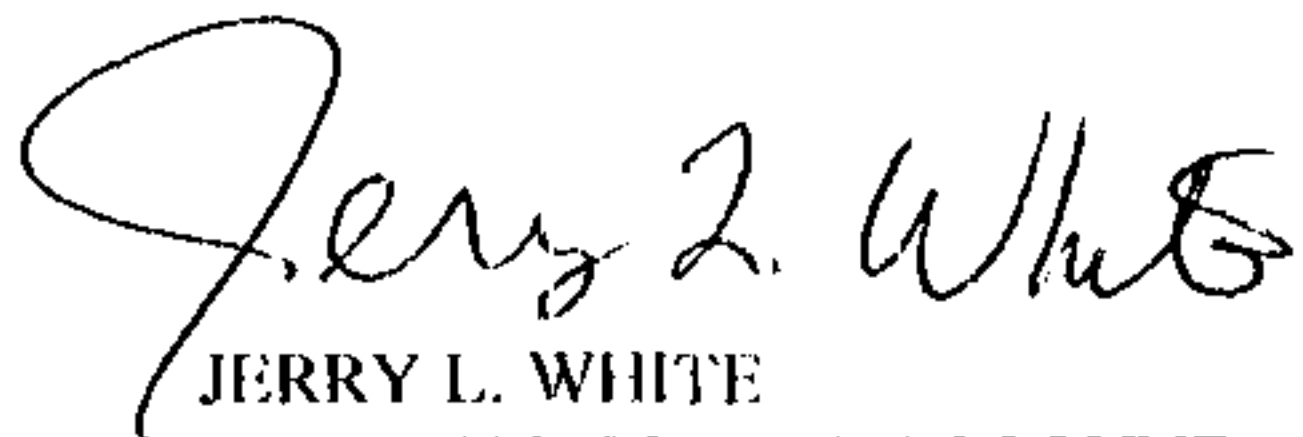
October 14, 2000

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MANAGEMENT'S CORRECTIVE ACTION PLAN

THERE WERE NO AUDIT FINDINGS AND/OR COMMENTS FOR THE YEAR ENDED JUNE 30, 2000, AND THEREFORE A MANAGEMENT CORRECTIVE ACTION PLAN WAS NOT APPLICABLE.



JERRY L. WHITE
CERTIFIED PUBLIC ACCOUNTANT

October 14, 2000

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SUMMARY OF PRIOR YEAR FINDINGS

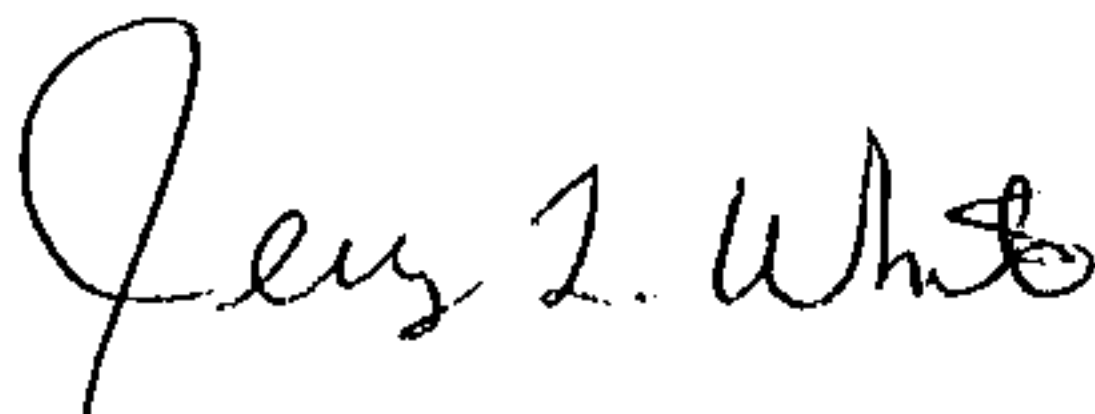
In 1999 the following Management Letter Comments were issued:

- 1) Ensure all participants in the Elderly Program are signing the participant roster each day as evidence of their participation.

Management Corrective Action Plan:

Management implemented a monitoring policy where-by the program director reviews all sign-in rosters for assurance that original signatures are obtained from participants each day. Additionally, the program director conducted individual meetings with each site monitor to confirm implementation of the monitoring policy.

The program director also performs periodic spot checks of each site to ensure compliance and document the results of these spot checks.



JERRY L. WHITE
CERTIFIED PUBLIC ACCOUNTANT

October 14, 2000